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Bulletin

2

ECONOMICS OF

ACCOUNTING PRACTICE

Small Business

Looks at the CPA

**Bulletin 2 ECONOMICS OF
ACCOUNTING PRACTICE**

Small Business Looks at the CPA

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1. An Introduction to the Study

THIS STUDY suggests a number of ways in which CPAs may significantly improve the conduct of their practices.

If the sample of client attitudes upon which it is based fairly reflects the views of businessmen generally, then it can be said that:

1. Most clients know too little about the CPAs (or firms) who serve them — and about the range of services which they are competent to perform.
2. Many clients do not recognize that their CPAs contribute to business profits, except in terms of tax savings.
3. Few small businessmen are doing any methodical planning for the future — budgetary, tax or financial planning.
4. Clients are generally reluctant to change accountants — and are generally satisfied with the present service of their CPAs.
5. There is little opposition to existing fees; whether increases are likely to be resisted may depend in part on management's awareness of the relation of accounting to profitability.

These tentative conclusions — and the others set forth in this booklet — are derived from 62 interviews with business executives conducted for the Institute by an independent research organization. (A full description of the study appears on page 33 et seq.)

This report will present a numerical tabulation or summary of the responses to each of the major questions asked in the interviews, preceded by a brief comment which includes a liberal sampling of the off-the-cuff remarks made by the businessmen. The final section

will be devoted to some overall observations on the points which CPAs might like to examine in the light of their own practices.

It must be emphasized that the study is merely a limited "pilot" project. The number of interviewed clients, in relation to the total number served by the accounting profession, is admittedly small. Although a number of service and other commercial concerns were interviewed, manufacturing concerns were consulted for the most part, because they usually have fairly numerous and complex accounting problems. It is conceivable that clients in other business fields might not share all of the attitudes revealed by the manufacturers toward the accounting profession. The geographic area selected for the survey (New England) is also a fairly settled one; a newer and less stable community might provide a different environment for CPAs.

Nonetheless, even with these limitations, the study offers some insights into the client-CPA relation which will be of aid to thoughtful practitioners. If the results do in fact prove to be highly useful, further studies in different parts of the country may be undertaken.

2. Results of the Survey

Management's View of the CPA's Value

A substantial number (43) of the interviewed executives felt that the CPA was now important to the profitable management of their business.

"We couldn't live without him," said the treasurer of a lumber company. "If we didn't have him, we would have to hire some accountants for our staff, and it wouldn't be half as beneficial." Another man — the president of a laundry — said rather wistfully: "He's invaluable. I only wish we could lean on him for more pricing advice and so forth."

But there was a catch in all this praise. Most of the companies agreed that the CPAs were important to profitable operations *only because of their tax services*.

Nor can it be said that these 62 clients were eager to welcome additional services. Twenty-one of them said they would do so; 38 refused them; three of them declined to commit themselves.

Those who expressed some interest in securing some additional help regarded their own receptivity as simply a matter of common sense. "Anything profitable, we'd accept," said the president of a wholesale food distributor. "Our CPA might point out areas for cost reduction studies. The accountant who regularly audits a business ought to become involved in it, ought to get interested in it. If he does, he should be invaluable to management."

Why was this attitude not shared by the majority?

Some of the nay-sayers were concerned about accounting expenses. "We just couldn't afford too much of their services,"

observed the vice president of a company which builds industrial furnaces. "Those boys get a lot of money." Another executive — the controller of a bottling plant — added this: "There is always more room for more value from the services of the accountant; but the practical limits of being a small firm require that cost analyses and other interpretations of the audit must be made by the company's officers rather than purchased from the CPA."

A number of clients were also skeptical about the abilities of their accountants. "They don't have a broad enough outlook," said the controller of a newspaper. An officer of a cement manufacturing firm was even more blunt: "On many of these things, I do not and will not take my CPA's advice. He has a certain place in the scheme of things, a certain job to do. He does it well. But he and most of his colleagues don't really know business principles, just financial ones." The manager of a jewelry manufacturer had another criticism: "Outside of keeping his eye on overhead, he can't make the business more profitable. We live in the future in this business; all the CPA has is a record of the past."

Despite this negative attitude, slightly over half the 62 firms had received suggestions on ways of increasing profits — and most of them had been grateful for the assistance.

"He tells us how to run our business," said the president of a metal-working plant. "He tells us how much to spend for advertising, how much to pay for building, and so forth. In fact, his most important function is to provide us with counsel on how to operate this plant."

But some of the comments suggest that the advice offered by CPAs may be given too casually — and thus is too often quickly forgotten. "We frequently discuss business problems," said the vice president of a dye factory; "but there has been nothing concrete. He just gives general advice." A vice president-treasurer of a sporting goods manufacturer said this: "He's given us good advice on quite a few occasions. He's a good man to discuss things with and to uncover problems before they get out of hand. Off hand, I can't think of any specific suggestion. But I'm sure there have been some from time to time."

How CPAs Rank with Other Advisers

As a gauge of his attitude toward the CPA, each of the interviewed businessmen was asked to rate a number of outside specialists in order of their value to his company. All of the companies used the services of CPAs, since that was one of the factors determining their selection in the survey. Nearly all of them engaged attorneys and insurance advisers; a majority employed advertising agencies; only a few had ever hired labor relations consultants or management engineers.

Despite the difficulty of making the selection, the company executives ranked the CPA at the top of the list of outside specialists. There followed, in descending order of rank, the lawyer, insurance counselor, advertising agency, labor relations consultant, and management engineer.

Management's Attitude toward the Profession

The executives, responding to a question on the general feeling of management toward the accounting profession, were usually flattering. Only one of the replies might be a little suspect. An office manager, who said the profession had an enviable reputation among businessmen, added that the president of his company was a certified public accountant. Excluding this answer on the grounds of possible prejudice, 51 (or almost 84 per cent) of the executives rendered a favorable verdict on the profession; nine others — though generally cordial — expressed some reservations; and only one of the clients, who is apparently engaged in a personality clash with his own CPA, derided the profession as a merely clerical trade. The tributes paid to the profession almost invariably included references to its competency, and, above all, to its high standards of integrity.

Perhaps the best way of conveying the quality of these observations about the profession would be to present here, in the clients' own words, some of the typical remarks — beginning with a few of the less laudatory comments and ending with some of the more enthusiastic ones:

What is a profession? Its members must have the ability to face and solve intricate problems of varying kinds. If accounting is simply

mechanical, it is not a profession. And I think it is simple and mechanical.

We think it is a professional class. It is definitely on a professional status below doctors and lawyers but above teachers. They could work harder if they wanted to. If they budgeted their time, they could do more.

Must accept — necessary evil. Well, they are here to check on my work — thus it's a necessary evil.

It's a necessary external check on business, management, and inventory. They are on a level with lawyers.

Very necessary evil. Very useful at the bank to have a CPA's signed statement. It carries more weight than others, that is, than a non-certified statement.

They must be a necessary evil. Mr. (president of the firm) wants a monthly audit so the CPA must be important.

They're helpful. I guess you might call them a necessary evil — though maybe that word "evil" isn't quite fair. They're just necessary, that's all. We depend on our own CPA for a lot of things. We expect him to keep abreast of tax developments, to keep his eye out for ideas along the way that we might use with profit . . . He's a kind of financial memory for us — remembering all he's learned and putting it at our disposal.

Main value to our concern is in the audit and tax areas. As for costs, the CPAs do not delve into this. They do not understand our business. They are not familiar with the peculiarities of a specific business.

We have to have one. In general the CPA has a high code of ethics. When he signs his name to a report, you can be pretty certain it's OK. His stamp of approval is necessary, and he won't sign anything false.

It is a very essential part of our business. They are more important than some of the people within our own company. We could do without an office manager if a CPA came in one more day per week.

Very important; no business can stay in business without a profit; without reliable figures, you can't know whether or not you're making a profit.

Got to have the accounting profession. Whether you use independ-

ent accountants or your own staff, you will use accounting techniques in any business.

Very necessary institution — couldn't work without. Bookkeeping does not have a wide enough outlook. The CPA gives us a broad picture into how the company is doing.

All right, necessary, indispensable. Satisfied with the service. Any good business must have help from a CPA. Even my own tax report I have a CPA help on.

Every firm should have independent accountants. They are objective and more up to date on methods and systems.

Important in the operation of business. With all its tax problems, you'd be lost without them.

Feel they are very necessary. Without them our tax status would be shaky, at times.

Well respected high-level profession. We couldn't get along without them.

Can't get along without them.

Terrific. We think they are a very capable aid to management.

Our general feeling is that they are people of high integrity. We respect the profession. We already ranked them as number one . . .

Our experience with the profession is very good. They have treated us right — on a high professional level.

I'm glad we have them. I've thought of becoming one myself. CPAs have others do the detail work and they handle only the major problems.

Excellent. They are one group you can rely on. They always give you a square shake.

Management's Attitude toward its Own CPA

Every one of the interviewed clients had some commendation to offer about his own certified public accountant. The comment which occurred most often concerned the accuracy and dependability of the CPA; but some of the clients also expressed appreciation for his perspective as an unbiased observer, for his sympathetic and attentive interest in the company's welfare, for his unobtrusive

manner of performing his duties, and for his skill in presenting clear interpretations of the results of his work.

Many of the clients, in fact, found it impossible to say a derogatory word about their CPAs. "If anything is wrong," said the president of a lighting fixture company, "it would be our own fault. He just reports the facts."

But a number of the businessmen (17) flung some brickbats. They complained bitterly that their CPAs were too often inaccessible, or duplicated the work of the internal staff, or neglected to become acquainted with the particular problems of the company and its industry. These critical voices were in a small minority; but they, too, deserve to be heard.

Again, in order to convey the full flavor of the comments, some of the typical ones will be quoted here — first the criticism and then the praise:

Nothing that I dislike but he is not always available because of obligations to other companies.

He should keep in closer touch. He should take an interest more like an employer than an employee.

Their system of accounting is too complicated. Their standard method is unnecessarily duplicated. Too much time is spent keeping records. The office manager feels the present system is simple. We have three clerks and the office manager in a department.

Time wasted in effort that could be put to better use. Sometimes they duplicate a service already provided within the organization. Too picayune in some instances. Spend too much time questioning small items.

When he finds something wrong, he makes an issue of it. He needles you into doing something.

It's not fair to the firm but it's true of all accounting firms. The juniors are improperly instructed; they have no function. Information should be channelled. I feel that the junior accountants on the auditing team talk too freely and with too much opinion to employees when they should restrict such communications to proper management officers.

He should take more initiative in understanding our particular business problems and offering his advice.

They all generally lack the ability of aggressiveness. The average accountant does not spend enough time in learning the business. Many accountants have too many small clients and never get to know them and can't spend too much time with any one of them. The larger CPA firms take fewer clients but give them more of their time, and of course, they also charge more.

Sometimes they try and do more than the job. They base suggestions on knowledge of your books rather than on knowledge of the overall industry and how your business fits into it.

I suppose that we prize most their good work and their willing spirit in doing it. I really don't have any serious complaint about the firm. They may be a little too aggressive in trying to sell us more of their time. But that's about all a CPA has to sell, isn't it? And I don't mind it too much. After all, I don't have to buy any more of his time if I don't want to.

They are efficient, accurate, and thorough. They give a good explanation. We have gotten congratulations on our statement. It gives dignity to our business and prestige.

He knows his business thoroughly and knows our particular plant so well that the answers come quickly and correctly.

They understand this firm. He knows what our management requires. I'm quite satisfied with them.

Has a vital interest in the welfare of our company. Always thinking of something he can do to save us money.

A very good job, very efficient. Comes on call within twenty-four hours. Is very accommodating. We see him once a month and when necessary on bank or tax business.

We consider him excellent and wouldn't do without him. His service can't be improved. He knows all the tax laws. Our meetings with the CPA may be business, business-social or social only. We're personal friends; he is practically one of the family.

We appreciate the fact that we hardly notice them; they do not disturb the people here; they know their business and command respect. Interruptions are held to a minimum. The function of our CPA is to render general advice on business matters — performing some of the functions that the controller does.

He provides a picture of what is going on in other companies, that is,

the procedures in another company. He has an outside point of view concerning practices in other companies related to ours. Personally a pleasant individual.

The best advantage is that he is competent. We know we have the best there is.

They are accurate and dependable. We have confidence in them and like their reports whether they are good or bad. They give us a true picture.

Mr. who works with us is a terrific tax man. I've seen him and his knowledge of tax law is out of this world.

Personally, they are both very nice men, efficient and helpful.

We feel that he is very thorough and attentive, very sincere.

Friendly, helpful attitude, always willing to be of service.

It is hard to say. He has a desire to please. His interest is genuine and he is on top of problems at all times.

Client Reactions to the CPA's Fees

The businessmen were asked if the fees charged by their CPA firms seemed to be in keeping with the value of the services rendered by them. The majority felt that the charges were in line.

The illustrative quotes to follow range all the way from "fair" to "exorbitant" — and include remarks by a few executives who either believe the CPA does not charge enough for his services or would willingly pay more for additional services:

That's a hard question. Well, of course, everything has its value. You judge the cost of advice on how much it's helpful in solving the problem — and how important it was to find a solution. If the CPA's counsel results in savings, he's entitled to a bigger fee. I don't mean tax gimmicks. They're seldom a saving in the long run. I mean more efficient methods of operating which lead to lower costs and higher profits. Though maybe we have a right to expect that from our CPA as a regular part of his service. Certainly, we have never quarreled about his charges. They've always been keyed to the usefulness of his service. I guess you could say that a CPA is worth what his services are worth to the client. And that's a good deal.

We are quite satisfied with his fees. They're not at all exorbitant.

I don't think he over or undercharges us.

They work hard, and we don't mind paying them. Sometimes they will go overboard.

Yes, the fees are all right. The consensus around here is that they are too high, though.

Yes, they are commensurate with his services. Sometimes they are too little but not in my case. They should get more income to establish themselves as a proper profession.

Yes, I do; but there is a limit to everything. We have high labor costs and cannot afford too much in the line of CPA services.

His fees are commensurate with our sales volume. He adjusts his fees according to our business. We fluctuate a good deal.

Yes, there again they know circumstances of each individual firm. I think they scale to the requirements of the firm, some leeway each way, over- or under-pay. In the long run it's fair.

I guess so. We haven't shopped around to see what other guys charge. We feel that the fee is good considering what type of service we get. How do you know how much a doctor or a lawyer should charge? If you're sick, you pay whatever is required. It is hard to estimate professional fees. If you are dying, a million dollars isn't too much to pay the doctor.

Yes, I guess they are (commensurate with the service) but I feel it is hard to pin them down to a standard fee. Judgment is paid for and it's difficult to measure — that is, at a certain rate per hour. They do not give estimates for work to be done and sometimes it is hard to see the relationship between the fee and the service.

Yes, in a general way. May pay for service that we don't know how to use. Those that feel fees are high don't know how to use the services.

Obtain a lot of service for the fee being paid. Close personal relationship and he is identified with the organization. Like everything else, a little on the high side, but I couldn't do it myself so I must accept the accountant.

We don't really pay enough for the services provided.

I would be willing to pay more if they would spend more time. Actually it is a cheap service when you consider how much you get.

Yes, they are in line. In fact, I would like to get the accountant involved more in the business and pay more for his services.

The money they might save you over a period of years is worth the charge which in itself is high.

They all get good fees but it's better than getting cheaper and wrong advice. Ultimately that would be more expensive.

Within reason. If I dealt with a corporation, I'd probably pay much more. It's cheaper in the long run than trying to do it yourself.

Too high, in general. The first audit is a rough one, and the fee is too high. You did want my real feeling, didn't you?

I guess so. We are satisfied with the charges we pay, but generally speaking, they do get a good fee. They all get a lot of money.

Pretty high. Can't complain too much. They're really pretty good. Yes, everything is high these days, and you have to expect that the CPA will be too.

Everybody's fees are too large. Oh, I guess they treat us very justly. Yes and no. As original customer he may favor us; but when he works extra, we pay more than we could get elsewhere due to the mutuality of the relationship, that is, we favor him.

All special fees are high. The CPA fees are fair in terms of their training and competence. The CPA should be a partnership and not a single individual for the certification of audits.

Exorbitant. Their fees are much too large. Much of this rises from the fact that we use a large out-of-state firm.

The Selection of a CPA Firm

The survey team asked the 62 clients how they first got in touch with their present CPA.

Many of them selected him, in the words of an owner of a small plumbing supply concern, "largely in terms of personal knowledge, estimation of reliability and public spirit." That personal knowledge, more often than not, grew out of association with the CPA in another business enterprise, in community projects like a charity drive, or in a social, civic or fraternal organization. As might be expected, a considerable number of the clients (13) selected the CPA as a result of the recommendation of other businessmen, bankers or attorneys.

Tabulation 1 (Q.4) : Selection of CPA

Personal contact; friend, relative	16
Recommended by other businessmen, bank, lawyer . . .	13
Former or present officer member of CPA firm; partner of CPA firm inherited business	3
General reputation in the community	3
Acquainted through previous job; had been partner of CPA in another business	2
Miscellaneous	10
Including: changed to parent company's firm upon recent sale; Navy cost accountant became CPA; local firm — obvious choice; president of company and head of CPA firm on board of directors of same bank; former employee of founder of firm who was an accountant himself.	
Don't know; too long ago; before I came	15
Total interviews	62

Length of Service of CPA Firm

One interesting aspect of the previous tabulation is the number of clients who did not know how their certified public accountant or firm had been selected.

But this is less surprising in view of the length of time that the CPAs have been serving these clients. On the average, the relationship has existed for 16 years; and more than a third of the 62 clients have engaged the same firm or practitioner for over 20 years. Only two of the five clients who have retained the same CPAs for less than five years voluntarily made a change. One declined to reveal the reason because "the matter is too confidential." The other company, a proprietorship which had been served by a non-CPA, felt it "needed a CPA" when it became a corporation. The three other changes in the last five years occurred as a result of the sale of the business and the engagement of the buyer's CPA, or as a result of a merger between accounting firms.

This long-term quality of the client-CPA relationship can be interpreted as evidence of client satisfaction with the CPAs' performance — coupled, perhaps, with a natural reluctance to endure the inconvenience of substituting new professional advisers for ones

already familiar with the business and with the people who operate it.

The fact that so many clients retain the same CPA for so long also has some other implications which will be discussed later in this report.

**Tabulation 2 (Q.6) : Number of Years Present CPA
Has Served Client**

Less than one	1
1 to 2	3
3 to 5	1
6 to 10	14
11 to 15	11
16 to 20	8
21 to 30	16
31 to 40	6
More than 40	2
Total interviews	<u>62</u>

Reasons for Engaging CPA Firm

Most of the 62 clients indicated that they felt obliged to retain the services of a CPA or CPA firm.

They cited the need of accounting assistance in the preparation of tax and other governmental reports; they suggested that stockholders demanded a certified statement because of the "prestige" of CPAs; they mentioned that it was "general business practice" to obtain a "clean bill of health" from independent auditors.

A few stated their reasons for securing the services of a CPA in more positive terms.

"You can't run a business today," said the vice president of a metal manufacturer, "without the financial guidance provided by a CPA firm. Oh, I suppose you could run it all right. But you'd probably run it into the ground. When my partners and I bought this company right after the war, we had to get it back on the track — get it ready to compete in a peace-time economy. We looked around for a CPA to help."

Another man, the treasurer of an electronics company, made this observation: "The business had expanded beyond the limits of our bookkeeper. We wanted to know what departments were mak-

ing money and which ones were losing money. We brought a CPA into the picture to dig out this information for us.” But, in addition to this emphasis on profit and cost controls, another significant theme ran through some of the comments. Said the president of a company producing wire fences: “Our controller used to handle the accounts with the aid of a non-CPA. When we grew larger and became a corporate organization, we decided to call in a CPA firm. We needed the objectivity of an outside appraisal — not only for our shareholders, but for our management group. You’ve got to have someone from the outside, someone who is impartial enough, who has perspective enough, to call the shots as he sees ’em.” The treasurer of a clothing manufacturer put it more simply: “If you’re ill, you go to a doctor. If you’ve got business troubles, you go to a CPA.”

Tabulation 3 (Q.5) : Why CPA Was Engaged

For tax purposes; to make audits for tax reports . . .	15
Need audit by disinterested party; objective analysis . .	5
Need guidance furnished by CPA; helped to set up books .	5
Changing system from proprietorship to corporation; upon corporate organization	3
Every company has to have a CPA; aware of need of CPA when founded	3
Expansion of business; pressure of business	2
Miscellaneous	11
Stockholders interested in certified statement; to handle government reports; to aid in absorption of smaller company; don't have an accountant on our payroll; things were in a mess; firm recommended by lawyer; earlier firm had overcharged; wanted good CPA — had used non-CPA; needed reputable firm for formality; these fellows were more familiar with cost accounting.	
Don't know or remember	18
Total interviews	62

Clients’ Knowledge of CPA Firms’ Size

The CPA firms generally worked with the companies’ senior executives — often with the men interviewed. Ordinarily, too, the accounting work done on the client’s premises was supervised there

by the practitioner or partner — though the routine chores, of course, were usually assigned to less experienced staff men.

Despite this close working relationship, most of the executives had only a limited knowledge of the size of their accounting firm. More than a third of them, for example, did not know how many partners or CPAs were in the firms which had served them for years. “We got a card,” the controller of a small welding company said, “stating that three or four partners were added just recently to their firm. I don’t know just how many they had before.”

Many of the executives “estimated” the size of their accounting firm and the number of its partners and CPAs. In almost every instance, these estimates were wildly inaccurate.

Tabulation 4 (Q.3) : Officer Who Works with CPA

<i>Company Official</i>	
President	15
Treasurer	12
Chief Accountant or Bookkeeper	7
Vice President	5
Assistant Treasurer	4
Office Manager	4
Controller	3
General Manager	3
Owner	2
Total Management (A group of three or four officers)	2
Secretary	1
Secretary-Treasurer	1
Partner	1
President and Secretary and Treasurer	1
Assistant Treasurer and Controller	1
Total interviews	62

Tabulation 5 (Q.9) : Rank of CPA Handling Engagement

<i>Rank of CPA</i>	
Partner in firm or practitioner	49
Manager of firm	3
Senior accountants	3
Semi-senior or junior accountants	3
Don’t know	4
Total interviews	62

Frequency of Contacts with CPA

The businessmen were asked how often the CPA visited their offices and how often they talked with him by telephone.

Most of them were then asked whether or not the CPA sought them out in order to talk over business problems. Twenty-seven of the 45 clients who were questioned about this point said that the CPA did take the initiative in conferring with them; 17 said he did not; one executive gave an equivocal answer. More of the businessmen (39 out of 46) said they pursued the CPA for assistance, generally by telephone. Of course, there is a duplication in these figures; some of the clients obviously both seek aid from their CPAs and receive it without having to ask for it.

The unavailability of the CPA can cause considerable resentment. Some typical comments reflecting that attitude:

Our CPA makes two audits per year. He comes in once a year for an inventory. I don't talk with him too often by phone. He's hard to get hold of. I'm pretty fed up with this.

I have heard of accountants who were hard to see. They just weren't available when you needed them — and you get someone else if that goes on too long. I must say that our CPA is always easy to see.

We tried to get our CPA to improve our office methods, but he never had the time so we hired this management firm. We paid it \$125 a day. Our CPA blew his top. But it was his own fault. We now get a lot more services from him — and, naturally, we pay him a lot more than we did before.

But these complaints were registered by only a few of the businessmen.

When asked if they saw their CPAs as often as they would like, the great majority (41) of clients said that they did. Yet, later, many of these same executives indicated that they would welcome additional advice on various aspects of the business directly related to profitable operations. The contradiction, however, may be more apparent than real — and will be discussed in the final section of this report at some length.

Tabulation 6 (Q.10) : Frequency of Contact

	<i>At Office</i>	<i>By Phone</i>
Daily	1	1
Twice a Week	1	1
Weekly	3	5
Semi-monthly	2	6
Monthly	13	6
Bi-monthly	5	3
Quarterly	7	2
Three times a year	2	1
Semi-annually	8	—
Annually	7	2
Depends on circumstances; at management's discretion	1	3
Every once in a while	—	3
He's always on call	—	2
Very seldom, rarely, not often	—	8
Never	—	4
Question not asked*	12	15
Total interviews	62	62

Bookkeeping and the CPA

In more than half of the companies covered in the survey, the CPA did not organize the present bookkeeping system, nor does he supervise it. Only two company executives reported that their CPAs actually performed the bookkeeping work.

The comments of some of the executives, however, indicate that the CPA's role in the bookkeeping function is not always clear even to management. The president of a cigar company observed that his CPA was not involved in the bookkeeping. Then he added: "He has improved it, and he looks it over regularly. We keep our books in good order so he doesn't do much." Another executive in the furniture business, who said that his CPA had neither installed nor supervised the bookkeeping system, concluded with these words: "He makes suggestions, but our head accountant is skilled enough."

* During the early stages of this study, a preliminary questionnaire was used. Experience indicated that it needed modification. As a result, some questions were dropped and others added in later interviews. The final questionnaire is printed in the appendix.

Tabulation 7 (Q.11) : Bookkeeping

Installation of system

CPA set up bookkeeping method	26
CPA does the bookkeeping	2
CPA will set up our books	1
CPA did not set up bookkeeping method	33
Total interviews	62

Supervision of Books

CPA supervises the bookkeeping	21
CPA reviews the books at intervals	2
CPA reviews the books once a year	1
CPA does not supervise the bookkeeping	38
Total interviews	62

The CPA's Role in Taxes

It will come as no surprise that, in the view of the 62 interviewed companies, the CPA has a major role to play in assisting them to comply with their tax obligations. Fifty-seven of the companies rely upon the CPA to fill out their returns; 38 of these also depend on him for tax planning; and only five offered somewhat qualified replies to this question.

The precise significance of "tax planning" is apparently difficult for some clients to grasp. As one controller of a photo engraving plant observed: "Naturally, in making out the return, he tells us how to avoid in the future the mistakes which were committed in the past, and that's planning, isn't it?" One might argue that this sort of tax strategy is deplorably late. But it might be tardy because of the client's failure to consult the CPA (or the CPA's failure to remain informed) about a contemplated action. The possibility of such belated counsel was suggested in the comment of a saw manufacturer. "When something arises and it has implications for taxes," he said, "the CPA's opinion is sought." But, in this case, the client is expected to recognize a tax situation for himself; the CPA is apparently not kept, or is not keeping himself, abreast of company operations.

The CPA has an equally important role in representing the companies in discussing tax problems with the Internal Revenue

Service. Thirty-six of the 62 companies reported that he represented them or assisted them in their negotiations with the IRS. Twenty-one said that he did not assist them; but most of these companies obviously had never had any occasion to defend a challenged return. The other five gave yes-and-no answers which defy analysis.

The position of the CPA as a tax adviser appears to be solidly established with the interviewed clients. Indeed, the president of an engineering firm felt that any question about the CPA's role in preparing tax returns or representing clients before the IRS was rather absurd. "Of course they do both," he said; "that's why we retain them." But this attitude has its perils. "We are not up on tax information," said the owner of a hardware concern. "It is much better getting a professional to do it. We should spend our time making money." This businessman apparently feels that the CPA's services have little connection with profits.

The Nature and Scope of Auditing

Nearly half the companies have annual audits; 21 of the companies have a monthly, quarterly, or semi-annual audit. (Fourteen of the companies, for a variety of reasons, were not asked this particular question.)

The executives were also asked whether, in making his audit of their company, the CPA checked the inventory. Twenty-nine of them said he did; 11 said he did not; two said he checked it to a limited extent; one declined to answer; and 19 were not asked the question.

Despite the limited scope of most of the engagements, almost all of the executives believed that their companies received a "certificate" from the CPA. On what did they base this answer? One response was rather typical. "The report," replied a vice president of an outdoor display manufacturer, "is a bound folder with recommendations and carries the signature of the CPA." It is obvious, from this and similar comments, that many of the clients have only a vague conception of the varying degrees of responsibility assumed by the certified public accountant — and of the manner in which he indicates his assumption of responsibility.

Use of the Audit for Credit Purposes

A substantial number of the interviewed executives agreed that a certified statement was an effective piece of ammunition in negotiations over bank loans. "We couldn't get along without it," the head of a machine tool manufacturer said. "The banks practically demand it."

Only 18 of the 62 companies indicated that they did not believe an audited report was useful for credit purposes, or declined to express an opinion. Most of these had never been obliged to seek outside capital; a few had some special reasons for discounting the influence of the CPA in seeking a loan. "The owner," said the controller of a hosiery mill, "is a multi-millionaire, and I daresay that his name carries more weight with the bank than the CPA's report." Another company was in the enviable position of having a bank officer on its board of directors.

Only four of the 35 credit-seeking companies, however, have ever asked their CPAs to represent them in loan negotiations or to accompany their officers to a bank. The others seemed to feel that the certified statement was sufficient — that there was little the CPA could do in person.

The Preparation of Budgets

It is generally assumed that no modern business can prosper without some sort of a budget to use as a measuring rod of performance and as a guide in planning for the future.

Yet only 15 of the 44 companies which were asked about this aspect of their business had a budget. And of that 15, only two received any assistance from their CPAs in the preparation of the budget; the rest relied entirely upon their own personnel.

Other Services Offered by CPAs

Forty-six of the companies were also asked about other services which might be rendered by their CPAs.

A majority of them (25) did receive some assistance from their accounting firm in improving internal accounting or office methods. About a third of the CPAs also offered their clients some assistance

in evaluating the adequacy of insurance or fidelity coverage and in analyzing and controlling costs. But only a small percentage of the companies felt that they could look to their CPAs for aid in analyzing receivables and advising on credit policies, in studying cash flow or budgeting cash requirements, in controlling inventories, and in forecasting working capital needs. However, when any of the latter duties were performed by the CPA, he was apt to provide assistance on a variety of problems.

3. Some Highlights and Observations

The Prestige of the CPA

The CPA's prestige, as revealed in this pilot survey, is impressive. He seems to be regarded by these 62 business executives as an efficient professional man, highly respected for his technical competence, for his personal integrity, and for his genuine interest in promoting the financial success of his clients.

Perhaps the most convincing evidence of his prestige is the fact that he has served the interviewed clients, on the average, for more than 16 years. During the last five years, indeed, only one company has voluntarily changed its CPA firm. This stability in accounting practice, however, is not only proof of client satisfaction; it represents a vast reserve of goodwill which may have an important influence on the acceptability of the fees to the client.

As already noted, the clients who were interviewed in this survey mentioned "integrity" as one of the prime reasons for their high regard for CPAs. Indeed, it is striking how often the businessmen underscored the value of the CPA's independence — both in terms of inspiring confidence in outsiders (e.g., bank loan officers and internal revenue agents), and in terms of winning the allegiance of the client's own staff. The CPA, of course, has an obligation to remain faithful to his professional ideals without regard for the consequences; but, like so many virtues, this one seems to be a practical asset to be zealously guarded.

It also has its disadvantages. The responses of many of the interviewed executives suggested that management felt the CPAs were imposed upon them by outside forces — government, bankers,

stockholders and others — as guardians of their interests. This suggests, in turn, that the accounting firms serving these clients have not yet succeeded in convincing them that CPAs are not just “necessary evils” (to quote an oft-used phrase), but creative advisers who can contribute to profits.

The Value of Personal Contact

Frequent personal and social contacts are obviously of considerable importance in the client’s eyes.

They are important, first of all, in the client’s initial selection of an accounting firm — which confirms the old dictum that an active role in community affairs will not only bring personal satisfactions, but make a dollar-and-cents contribution to professional advancement. At the same time, the clients who had the highest opinion of their CPAs and of their services were also the ones who saw them frequently.

Despite this fact, almost one-third of the CPAs visit their clients only twice a year or even less, and only 40 per cent of them visit their clients at least as often as once a month. The CPA, moreover, only rarely volunteers his services; management is ordinarily obliged to call upon him for aid. Of course, in some ways, this might be regarded as a happy situation. But it could be argued that laymen have a right to expect professional men to promote recognition of the full usefulness of their art before, rather than after, the need for it becomes apparent to everyone.

This lack of frequent contact, in addition, may explain why so few of the interviewed clients had an accurate idea of the size of their accounting firms. How, in these circumstances, can the client be aware of the wide range of skills available to him? How can he be expected to appreciate fully the cost of conducting an accounting practice if he has no conception of the quality and size of the staff? As measures of enlightened self-interest, the CPA ought to consider adopting a number of time-tested methods of acquainting clients with the scope and character of the accounting talent within his firm. Perhaps this can be done by simply sitting down with the client for a few minutes and telling him about the firm. This could

be supplemented by visits of the client to the firm's own office where he would have a chance to learn of its continuing need for first-rate quarters, equipment and personnel. The client, too, should be notified of the admission of new partners in an announcement designed to create the right impression: that another man of high calibre has assumed greater responsibilities within the firm.

Any veteran practitioner could suggest other ways of broadening a client's knowledge of his accounting firm. But this bulletin is not concerned with solutions to the problems disclosed by the survey; later bulletins, based on interviews with successful firms, will provide that kind of information. It is perhaps enough now to suggest that the lack of client knowledge revealed in this study, if generally present, constitutes an obstacle to the expansion of the profession's services.

The Services Rendered by CPAs

As indicated in this survey, the chief function of the CPA is to assist the client with his tax obligations and to audit his books. But several observations are worth making in regard to these services.

There are apparently widespread misconceptions about the nature of audit reports. Despite the obvious restrictions placed upon the scope of the audits, most of the clients were not inclined to make any distinctions about the degree of professional responsibility accepted by their CPAs. They seemed much more impressed by the quality of the report's binding and by the presence of the CPA's signature. If this ignorance of the true nature of auditing is prevalent, then it constitutes a genuine peril which might one day prove to be extremely expensive. Certainly, every CPA would be well advised to determine whether or not his clients have a reasonably clear understanding of the situation. And if, like so many of the businessmen consulted for this study, they do not, then an educational campaign is urgently needed.

It also merits attention that, while audited statements are often used in seeking credit, the businessmen interviewed rarely ask their CPAs to represent the company or to accompany a member of the management team in negotiations on a loan. This fact may merely

establish the effectiveness of a CPA report in facilitating credit requests. But it may also suggest that clients have a too narrow concept of the CPA's role in financial management. If so, the CPA has another educational task to perform.

Finally, despite the general feeling that a CPA's greatest usefulness lies in his assistance on tax problems, a surprising number of the clients interviewed in this survey do not consult him in advance about company actions which might have serious tax consequences. Under these circumstances, tax strategy consists largely of avoiding past mistakes. It seems reasonable to suggest that the CPA cannot expect the client to recognize a tax problem when one occurs; he will fulfill his professional obligations (as well as earning the client's gratitude) only if he trains the businessman to consult him *before* making an important decision.

The CPA and Business Profits

Almost 70 per cent of these businessmen believe that their CPAs are presently important to the profitable management of their companies, and more than half of them reported that the CPA has already made some suggestions about methods of increasing profits.

Few of these businessmen, however, could recall specific instances of the aid rendered by their CPAs. Perhaps this lapse in memory is not too significant; the fact that clients have a warm regard for the CPA may be sufficient. Nonetheless, it seems worth noting that the CPA's position might be enhanced if his advice on management problems was rendered in a way that created a durable impression upon his client. In other words, the counsel might be more widely appreciated if it was generally communicated in a highly visible manner — such as a well-written memo — rather than delivered in casual conversation or buried in the context of a long-form audit report.

Many of the clients who acknowledge the CPA's significance in profitable operations, however, think of his aid almost exclusively in terms of taxes. One comment deserves to be repeated: "We are not up on tax information. It is much better getting a professional to do it. We should spend our time making money." The implica-

tion, of course, is that the CPA's work has little or no relation to the profit-producing aspects of the business.

This attitude may also explain two other statistics produced by the study: that 93 per cent of the businessmen expressed no desire to see their CPAs more often (though a high proportion of them came into the office only twice a year or less); and that two-thirds of the clients indicated that they would not welcome additional services from the CPA.

It is a little difficult to reconcile these figures with the executives' highly favorable attitude toward the CPAs and their readiness to accept present accounting fees without complaint. But these clients may well be taking a restricted view of the CPA's function and may be convinced that accounting, while necessary, is unrelated to the significant aspects of profitable management. The lack of budgets in the interviewed businesses (which suggests a lack of realistic planning) would certainly support this assumption. But whether the responses indicate a lack of planning or merely a reliance on rough planning, they highlight an opportunity for additional accounting services. Nor is this the only neglected area of management revealed by the survey. It also provides some evidence that CPAs could be more helpful in analyzing receivables, in reviewing credit policies, in charting cash flow or cash requirements, in controlling the level of inventories.

Recalling the oft-expressed concern of clients to avoid commitments to pay for more time, however, CPAs suggesting additional services ought to strive to make clear their relation to profits. That theme of "importance to profits" echoes and reechoes through many of the comments. A number of company executives, for example, rated their advertising agency higher than their CPAs on the scale of usefulness because the former "contributed to sales." Yet in each case the CPAs were performing such functions as controlling costs and inventories, improving office methods, and advising on credit policies. It would be natural to assume that anyone would know that these services had a significant relation to profits; but the fact remains that many of these 62 clients failed to see the connection. This suggests that the additional services not only have to be positive

forces in advancing the profitability of the client. They must also be recognized as such by the client. This understanding, moreover, ought not to be left to chance. It should be firmly established before any further work is undertaken (and any additional costs are incurred).

It seems obvious that an educational effort of this kind is desperately needed among many of these clients. Certainly, this limited study reveals a wide variation in the attitude of management toward the capabilities of CPAs, ranging all the way from "their only function is taxes" to "they tell us how to run our business." Despite the apparently intimate relationship between clients and CPAs, it is evident that many CPAs have not yet completed the task of informing their clients about the wide range of useful services which accounting firms are willing and able to render. In fact, if the results of this survey reflect general practice, the CPA ought to consider whether or not he is now extracting enough information of value to management from the work already being performed and whether or not he is presenting it in a readily understandable and useable form. One of the interviewed executives — the manager of a printing plant — talked about this need for effective communication. "We'd like a better translation of dollar figures," he said. "CPAs are too traditional in point of view; they adhere too closely to old approaches. A financial report doesn't often tell the whole story. It needs explanation. And some CPAs don't tell us, in words that we can comprehend, the finer meaning of their reports."

Acceptability of Accounting Fees

Another useful revelation produced by the survey is the fact that few clients expressed any dissatisfaction with their current accounting charges. (It should be noted, incidentally, that two of the executives insisted that their companies would be willing to increase their payments to their accounting firms if they could obtain more of their time.)

This absence of any serious challenge to the present charges made by CPAs is also worth remembering when the issue of fees is under discussion.

It would also be desirable to keep in mind the wide acceptance enjoyed by CPAs in management circles. The accounting profession, in the view of a high percentage (84 per cent to be precise) of the interviewed executives, commands considerable respect. Nearly all of the executives, in fact, were quick to cite a host of worthy qualities exhibited by their own CPAs. Fewer than 30 per cent of them were prepared to voice any criticism whatsoever about their CPAs. Thus it can be said with assurance that certified public accountants are generally respected for their capabilities and their character. At the same time, it is obvious that a disturbing number of clients, while expressing warm regard for their CPAs, still consider them as being competent to perform in a relatively narrow sphere.

Some Questions for Review

These, of course, are only a few of the observations engendered by the survey. Every reader who studies it will find others of equal or greater significance to his own practice — and, for that matter, may be prompted by this report to re-examine his own client relations. He might, for example, ask himself some of these questions:

1. Does each of our clients have an adequate knowledge of our firm? If not, what steps should be taken to remedy this situation?
2. Since it represents one gauge of client satisfaction, how does our length of service with our clients compare with the low turnover disclosed in this survey? If the reluctance to change CPAs implies that intimate knowledge of a client's problems, gained through years of experience in serving him, has value, in itself, to the client, should this be considered in evaluating our fees?
3. How much time is devoted to community services by members of our firm? It is adequate in view of the personal satisfaction to be derived from such activities — and the practical advantages to be gained through public recognition earned in them?

4. Does our firm take the initiative in tax planning — or does it wait for a summons from the client or depend upon the preparation of a return to disclose errors in tax strategy?
5. If there appears to be resistance to fees among our clients, may this be due in part to our performing services which might be more economically rendered by others? Have we done enough to alert clients to the full usefulness of our present work in guiding management decisions?
6. If we have neglected these educational tasks, is this merely a measure of neglect which can be rectified — or is it a symptom of an over-burdened staff?

This catechism is not intended to be complete. It would require no great imagination to extend the list almost indefinitely — and the questionnaire in the appendix might be used in part to undertake this self-evaluation. Certainly, any such review is bound to be profitable — both to the CPA and to his clients.

Appendix

Nature of the Study

The field study on which this booklet is based had a five-fold purpose:

1. To explore the scope of services rendered by the certified public accountant to small business;
2. To find out the values which management places on those services;
3. To learn to what extent business executives seek the advice of their CPAs in business management and planning;
4. To investigate management's knowledge of the range of competence of the CPA; and
5. To inquire into the attitudes held by management toward the accounting profession as well as toward the individual CPA retained by the company.

The interviewing was handled by a team of trained researchers on the staff of the Psychological Corporation — an independent agency employed by many of the top business firms on product and consumer research.

The interviewers were asked to talk only with senior management executives in companies which (1) were independent enterprises and not subsidiaries of national companies; (2) engaged the services of outside CPA firms or practitioners; and (3) had gross annual sales of less than \$5 million.

All of the interviews were conducted within a radius of 25 miles of two medium-size cities in an eastern state. A total of 149 companies were visited, one or more times, in order to obtain the 62 interviews.

A reliable cross-section of accounting practice in the area was obtained. Nine of the 62 companies were served by individual practitioners; the rest were served by firms of varying sizes — but no single firm served more than five of the clients.

The researchers were guided in their interviews by a questionnaire, composed largely of free-response questions, which was developed with the aid of the American Institute. (A copy of the questionnaire also appears in this appendix.)

Data about the companies, interviewed executives, and visits follows:

Classification Data

Title of Respondents

President	16
Vice President	9
Treasurer	9
Assistant Treasurer	4
Secretary	6
Secretary-Treasurer	1
Owner	1
Partner	1
General Manager	2
Controller	2
Office Manager	8
Internal Accountant	3
Total Interviews	62

Age of Company

Less than 10 years	3
11 to 20	9
21 to 30	7
31 to 40	11
41 to 50	4
51 to 60	7
61 to 70	3
71 to 80	3
81 to 90	3
91 to 100	—
Over 100 years	4
No Answer	8
Total Interviews	62

Type of Company

Closely-held Corporation	36
Widely-held Corporation	7
Individually or Family Owned	13
Partnership	6
Total Interviews	62

Number of Employees

15 to 25	4
26 to 40	8
41 to 50	4
51 to 75	8
76 to 100	6
101 to 150	9
151 to 200	8
201 to 250	10

251 to 300	2
301 to 400	—
401 to 500	1
More than 500	2
Total Interviews	62

Gross Annual Business

\$ 100,000 - \$ 250,000	6
250,000 - 500,000	4
500,000 - 750,000	3
750,000 - 1,000,000	3
1,000,000 - 1,500,000	12
1,500,000 - 2,500,000	17
2,500,000 - 4,000,000	4
4,000,000 - 5,000,000	5
Just over 5,000,000	1
Not given: but within \$5 million limits	7
Total Interviews	62

Number of Companies Visited

Results of Visits

Interview Completed	62
One or more calls without interview	87
Total Companies Visited ...	149

Reasons for No Interview

CPA not retained	12
Gross Annual Business below minimum	13
G.A.B. above maximum	6
G.A.B. refused	1
Company is subsidiary of national concern	7
Company moved from area* ..	16
Company closed for vacation ..	7
All executives on vacation	9
Company has closed business ..	3
Interview was refused	13
Total Companies visited without interview	87

* Many of these companies were forced to move because of highway construction.

Questionnaire Used in Survey of Client Attitudes

Introduction: Good morning (afternoon). My name is _____ and I'm associated with The Psychological Corporation. For the American Institute of Certified Public Accountants we are making a study among selected medium-sized companies in this part of the country. The American Institute of Certified Public Accountants is particularly interested in learning how you believe the work of your C.P.A. firm can be made of increasing value to you.

1. Do you, for your company here, retain or employ the services of a *Certified* Public Accountant firm or practitioner — that is a Certified Public Accountant *outside* your own company? Yes _____ No _____.

2. Would you mind telling me approximately what is your Gross Annual Business, that is your Gross *Income* or *Sales*? On this card (Show green card) I have some figures designated with a letter. Will you just look at the card and tell me the letter which comes the closest to your Gross Annual Business? Enter letter _____ (If respondent refuses, ask him if Gross Annual Business is less than \$100,000.00 or more than \$5,000,000.00.)

(Complete interview *only* with management of firm which retains Certified Public Accountant firm or practitioner *and* whose Gross Annual Business falls between one and five million dollars. If these criteria are not met, record on address card. Explain in detail any reason for not completing an interview.)

3. With whom in your organization does the C.P.A. firm work most closely?

4. By chance do you recall just *how* you first got into touch with your present C.P.A. firm? (PROBE)

5. And *why* did you call in a C.P.A. firm? (PROBE)

6. For about how long a time have you used this particular C.P.A. firm? (Indicate years or months clearly.) _____
(If longer than five years, skip to Q. 8.)

Remarks: _____

7. (If fewer than five years) Will you tell me the reasons you had for changing from one firm to another?

8. a) Is the C.P.A. firm you use a large _____ one or a small _____ one?

b) How many partners are there in the firm? _____ Don't know _____

c) About how many C.P.A.s are there altogether in the firm? _____
Don't know _____

d) (If exact size of firm not known) If you wouldn't mind telling me the name of the firm, I can find out its size.

Name of Firm _____

Remarks: _____

9. (If more than one C.P.A. in the firm) With whom does your company consult, that is, what is the level of the C.P.A. who handles your affairs? Is he a partner _____, a staff assistant _____ or just what is his rank in his own firm _____?
Remarks: _____
10. a) How frequently does the C.P.A. visit your offices?
b) How frequently do you talk with him by telephone?
c) Does your C.P.A. seek you out in order to talk over your business problems? Yes _____ No _____
d) Do you seek him out to talk about business problems in which he could be helpful? Yes _____ No _____
e) Do you consult him from time to time as questions arise?
Yes _____ No _____
f) Do you see him as often as you would like to? Yes _____ No _____
Remarks: _____
11. About the bookkeeping here in your own offices: did the C.P.A. set up the method _____, does he supervise it _____, or just what is his obligation about the books? (PROBE)
Remarks: _____
12. Does your C.P.A. make out the tax return only _____ or does he assist you in planning to keep your taxes down _____?
Remarks: _____
13. It is necessary for all firms at some time to discuss tax problems with Internal Revenue. Do you have your C.P.A. represent you when this occasion arises? Yes _____ No _____
Remarks: _____
14. a) Does your C.P.A. make a regular audit monthly _____, quarterly _____, annually _____ or just how often _____?
b) In making the audit does he check the inventory? Yes _____ No _____
c) Does he examine the books? Yes _____ No _____
d) Does the C.P.A. give you a certificate or a signed opinion?
Yes _____ No _____
Remarks: _____
15. a) Do you have a budget? Yes _____ No _____
b) (If Yes) When your management prepares the budget, do you call in your C.P.A. to assist in making the budget? Yes _____ No _____
Remarks: _____
16. a) Does the C.P.A.'s audit report or certified financial statement make it easier for you to get loans? Yes _____ No _____

b) When you request a loan, do you have your C.P.A. represent you _____ or go along with you _____?

Remarks: _____

17. Has your C.P.A. helped you in any way in connection with the following matters? (If not C.P.A.) Which officer or employee of the company itself is responsible for continuing attention to matters of this kind?

	<i>C.P.A.</i>		<i>(If Not C.P.A.)</i>
	<i>Yes</i>	<i>No</i>	<i>Who?</i>
a) Judging whether insurance or fidelity coverage is sufficient?	_____	_____	_____
b) Analyzing and controlling costs?	_____	_____	_____
c) Improving internal accounting or office methods?	_____	_____	_____
d) Analyzing receivables and advising on credit policy?	_____	_____	_____
e) Studying cash flow or budgetary cash requirements?	_____	_____	_____
f) Forecasting working-capital requirements?	_____	_____	_____
g) Controlling inventories?	_____	_____	_____

Remarks: (Indicate applicable letter from list above.) _____

18. Do you feel that the C.P.A. is now important to the profitable management of your business? Yes _____ No _____

19. Would you welcome services of the kinds we have just talked about from your C.P.A. if you thought those services would make your business more profitable? Yes _____ No _____

Remarks: _____

20. Has your C.P.A. offered any suggestions to you as to ways of making your business more profitable? Yes _____ No _____

Remarks: _____

21. What would you say is the general feeling on managements' part toward Certified Public Accountants as a profession? (PROBE)

22. Now every company at times requires the services of outside specialists. Will you rank, as nearly as possible, these outside specialists in order of their value to your business.

<i>Specialist</i>	<i>Rank</i>	<i>Specialist</i>	<i>Rank</i>
Lawyer	_____	Insurance Agency	_____
Management Engineers	_____	Labor Relations	_____
or Consultants	_____	Consultants	_____
Advertising Agency	_____	Certified Public	_____
		Accountants	_____

(If specialist not used, record D.U. Don't Use)

Remarks: _____

23. a) What is your general attitude toward your own C.P.A., that is, what do you *like most* about him? (PROBE)

b) And what do you *dislike* most about him? (PROBE)

24. How about his fees? Do you think the C.P.A. firm's charges are commensurate with its services or not? (PROBE)

25. a) Is this company a partnership _____ family owned _____ individually owned _____ or is it a corporation _____? (If corporation) About how many stockholders do you have _____?

b) How many years has this company been in existence? _____

c) How many employees does this company have? _____

d) Exactly what does this company manufacture? _____

e) (If not manufacturing) What is the business in which the company engages? _____

Classification Data (Attach address card to each completed interview.)

Name of Firm _____

Name of Respondent _____

Title of Respondent _____

Approximate Age _____

Date _____ Interviewer _____

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